

**Scotland Excel**

**To: Joint Committee**

**On: 19 June 2020**

**Report by:  
Chief Auditor**

**Internal Audit Annual Report 2019/20**

**1. Summary**

- 1.1 The Public Sector Internal Audit Standards require the Chief Auditor to prepare a report, at least annually, to senior management and the Board on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan.
- 1.2 The annual report must also provide an annual audit opinion on the overall adequacy and effectiveness of Scotland Excel's internal control environment.
- 1.3 The Annual Report for Scotland Excel is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the Internal Audit Team, the main findings from the internal audit work undertaken in 2019/20 and contains an audit assurance statement.

**2. Recommendations**

- 2.1 Members are invited to consider and note the contents of the Annual Report.



**Scotland Excel  
Internal Audit Annual Report  
2019-2020**

**Renfrewshire Council  
Internal Audit**

**June 2020**



## Scotland Excel

### Internal Audit Annual Report 2019/2020

#### Contents

		Page
1.	Introduction	1
2.	Responsibilities of Management and Internal Audit	2
3.	Internal Audit Activity during 2019/20	2
4.	Review of Internal Audit Performance	3
5.	Planned Audit Work for 2020/21	4
6.	Audit Assurance Statement	5



## Scotland Excel

### Internal Audit Annual Report

1 April 2019 – 31 March 2020

#### 1. Introduction

1.1 As host Authority, Renfrewshire Council provides an internal audit service to Scotland Excel. This includes:

- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Director;
- Delivery of the planned audit assignments;
- Follow up of previous audit recommendations;
- Provision of any ongoing advice and support on audit and risk management related matters;
- Provision of an Annual Report and Assurance Statement, and presentation to elected members of Scotland Excel.

1.2 The Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which defines Internal Audit's role as:

".....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

1.3 In line with the Standards, the purpose of this Annual Report is to report on:

- The outcome of the planned Internal Audit reviews 2019/20 relating to Scotland Excel;
- The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
- Internal audit performance;
- Planned audit work for 2020/21;
- The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the organisation's internal control environment.

## 2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that for the areas under their control there is an adequate and effective system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

## 3. Internal Audit Activity during 2019/2020

- 3.1 One specific engagement was undertaken during 2019/20, which related to the internal controls in operation over contract management (contract award arrangements). The main findings in relation to this review is summarised in table 1 below:

**Table 1**

<b>Audit Area</b>	<b>Conclusion</b>
Contract Strategy Arrangements	<ul style="list-style-type: none"><li>• <b>Substantial Assurance</b></li><li>• The audit has identified that satisfactory measures are in place for contract strategy arrangements for the contracts tested. There were no recommendations arising from the review.</li></ul>

- 3.2 The Annual Report for 2018/2019 was submitted to the Joint Committee on 21 June 2019.
- 3.3 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2019/20, 6 recommendations were followed up. Of these 5 (83%) have been implemented and 1 (17%) has been part implemented. There are no critical recommendations outstanding.
- 3.4 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support Scotland Excel's activity. The main findings in relation to these are summarised in Table 2 below, and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

**Table 2**

<b>Audit Area</b>	<b>Conclusion</b>
General Ledger	<ul style="list-style-type: none"> <li>• <b>Reasonable Assurance</b></li> <li>• The audit highlighted that the guidance available to staff was satisfactory. Recommendations were made to strengthen the controls surrounding password access, transaction coding and journal entry authorisation.</li> </ul>
Procurement – Quick Quote process	<ul style="list-style-type: none"> <li>• <b>Reasonable Assurance</b></li> <li>• The audit has identified that small number of improvements are required to the execution of the council’s quick quote processes surrounding retaining evidence, approval of successful quotes and analysing spend to ensure the quick quote process is used when required.</li> </ul>
Cloud Services	<ul style="list-style-type: none"> <li>• <b>Limited Assurance</b></li> <li>• The review identified that there was scope to improve the cloud security control environment, a number the areas identified were already known to management and work was underway to address. Recommendations were made in relation to formal Cloud Security Assessments for all contractors. We also identified processes that would benefit from completion and implementation of a formal framework for supplier assurance and performance.</li> </ul>

#### **4. Review of Internal Audit Performance**

4.1 Internal Audit produces regular reports on its performance during the year to the Renfrewshire Council, Audit, Risk and Scrutiny Board, against a range of measures set annually by the Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal

audit services. Table 3 shows the actual performance against targeted performance for the year.

**Table 3**

<b>Internal Audit Performance 2019/20</b>		
<b>Performance measure</b>	<b>Target 2019/20</b>	<b>Actual 2019/20</b>
% of audit assignments completed by target date	95%	95.4%
% of audit assignments completed within time budget	95%	96.9%
% completion of audit plan for the year*	95%	98.5%

\* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

4.2 Actual performance for the year, is above the target performance level. All Scotland Excel specific audit engagements have been completed.

4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the PSIAS. The review did not identify any areas of non-conformance that require to be addressed.

4.4 External Audit

External Audit's review of the internal audit service concluded that overall the service operates in accordance with the PSIAS.

4.5 Risk Management

The internal audit service through the Risk Manager, provides advice and support to Scotland Excel officers, as required.

## **5. Planned Audit Work for 2020/21**

5.1 Following a risk based assessment of the activities of Scotland Excel and consultation with the Chief Executive, the following internal audit work has been agreed for 2020/21:

- A review of financial sustainability;
- Follow up of previous audit work;
- Ad-hoc internal audit and risk management advice.

## 6. Audit Assurance Statement

- 6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 1.2. The audit work performed has been reported to the Chief Executive, and to the Joint Committee. Where areas for improvement in internal control have been identified appropriate recommendations have been made and accepted for action by management.
- 6.2 In view of the continued challenges common to all public bodies, there will be a requirement for the council and the bodies for which it is host authority to exercise very close scrutiny over revenue spending, and this will continue to receive due internal audit attention.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 In this context, it is considered that a reasonable level of assurance can be placed upon the adequacy and effectiveness of Scotland Excel's internal control, risk management and governance arrangements, as evidenced by:-
- The results of the audit work in 2019/20 in relation to the corporate systems which supported Scotland Excel's activities, and to specific work carried out in relation to those activities.
  - Management action in response to audit recommendations.
  - Management of self-assessment of internal control, risk management and governance arrangements.
  - The regular review and updating of the Local Code of Corporate Governance by the Council in accordance with the Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives framework for corporate governance requirements, and of the corporate governance arrangements within Scotland Excel.

Signed.

  
Chief Auditor

Date

19 June 2019